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18th September 2018

Jon Parker
OFGEM
10 South Colonnade
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By e-mail only to NetworkAccessReform@ofgem.gov.uk

Dear Jon,

Ofgem consultation: Getting more out of our electricity networks by reforming access and forward-looking charging arrangements

The Competitive Networks Association (CNA)* is a trade association representing the common interests of independent distribution network operators (IDNOs). IDNOs provide the majority of electricity connections to new build developments in the UK.

Our members would like to express their concern that IDNOs have not been considered, or at the very least recognised in the Ofgem consultation, given the direct impact this work will have on IDNO charging arrangements and competition in the connections market.

We appreciate the direction of travel must be set at a high level before specific methodologies can be reviewed and discussed by industry, but Ofgem has stated its intent to review the Distribution Use of System charging (DUoS) arrangements and this cannot be considered in isolation to IDNO charging arrangements (under the EDCM, CDCM & PCDM). The charging models are interdependent, and it is important that all customers receive the cost-reflective price signals regardless of whether they are connected via a DNO or IDNO.

IDNOs have long advocated for improvements to the charging arrangements, and although we are encouraged that this work will now be driven forward by Ofgem, we are not confident that the IDNO specific DUoS issues, previously identified under the CDCM review, will be addressed. This is of particular concern to the CNA as these issues may be further compounded by the proposed reform, and IDNO margins significantly and disproportionately impacted. As smaller market participants, it is unlikely we will be able to provide the level of resource required to address this under a large industry change programme such as the CFF. It is important that Ofgem recognises the impact its work programme will have on

IDNOs, and that an appropriate mechanism is put in place to mitigate this impact and address IDNO specific charging issues.

In Ofgem's proposal on how to take this work forward, we note that Ofgem's preference is for DNOs and the ESO to lead the review of access arrangements and, potentially, access rights for large users. Competition in connections has increased significantly since the first IDNOs licence was granted in 2005. Competition in the connections market has delivered real value through improved levels of service for customers and lower costs to connect. It also has the potential to drive further innovation in the types of services on offer as long as the right platform is in place. There is a risk that new access arrangements could tilt the level of the playing field towards the DNO (particularly with a move to a shallower connection boundary) and have a detrimental impact on the connections market if IDNOs are not given an equal voice. On this basis, the CNA's preference is for Ofgem to lead a comprehensive Significant Code Review (SCR).

We do not agree that the potential benefits of a narrow or moderate SCR approach will outweigh the risks associated with the proposed industry led programme. Whilst we recognise that a review led by industry outside of the SCR may mean that some changes could be implemented sooner, there is evidence that an industry led process may in fact be slower. There are numerous examples of where industry led change programmes have failed at various stages and Ofgem has had to step in (for example the CDCM/EDCM Review and Project Nexus). We believe there is a real risk that splitting the work programme could simply stall the charging reform.

If Ofgem do proceed with the narrow or moderate SCR approach, at a minimum, a high level project plan (which maps out the work programme) must be developed. We also urge Ofgem to consider project governance and management requirements prior to launching the SCR.

We look forward to engaging with Ofgem to better understand how these concerns can be addressed. If you would like to discuss the points raised in this letter further, please contact John Barrett at john.barrett@aigt.org.uk.

Yours sincerely,



John Barrett
Secretary, Competitive Networks Association

* **CNA Members are:** Energetics Electricity, The Electricity Network Company, ESP Electricity, Independent Power Networks, Harlaxton Energy Networks, Leep Electricity Networks, Energy Assets Networks, Eclipse Power, UK Power Distribution, Fulcrum Electricity Assets and Murphy Power Distribution.